

# AMERICAN STORES COMPANY

*Annual Report*

FOR THE FIFTY-TWO WEEKS ENDED MARCH 23

## OFFICERS

WILLIAM PARK	<i>President</i>
FRED J. HEANEY	<i>Vice-President and General Manager</i>
FRED W. JOHNSON	<i>Vice-President</i>
JAMES K. ROBINSON, Jr.	<i>Vice-President</i>
A. J. FAULHABER	<i>Vice-President</i>
PAUL J. CUPP	<i>Vice-President</i>
S. A. GOULD	<i>Assistant to the President</i>
E. A. COLSON	<i>Secretary</i>
JOHN R. PARK	<i>Treasurer</i>
S. C. ARCHER	<i>Assistant Treasurer and Assistant Secretary</i>
J. V. KEERS	<i>Assistant Secretary</i>

## DIRECTORS

SAMUEL ROBINSON	FRED J. HEANEY
WILLIAM PARK	JAMES K. ROBINSON, Jr.
E. J. FLANIGAN	THOMAS H. SHERRARD
JOHN M. HANCOCK	JOHN R. PARK
WILLIAM GOULD	J. WILLIAM HARDT

## TRANSFER AGENTS

The Pennsylvania Company for Banking and Trusts	Philadelphia, Pa.
Bankers Trust Company	New York, N. Y.

## REGISTRARS

Liberty Title & Trust Company	Philadelphia, Pa.
City Bank Farmers Trust Company	New York, N. Y.

## AMERICAN STORES COMPANY

GENERAL OFFICES: 424 North Nineteenth Street, Philadelphia 30, Pa.

# AMERICAN STORES COMPANY AND SUBSIDIARIES

## FINANCIAL HIGHLIGHTS

	52 weeks ended	
	March 28, 1953	March 29, 1952
Sales. ....	\$542,035,133	\$521,311,426
Earnings before taxes on income. ....	10,548,677	9,974,268
Federal and State taxes on income. ....	5,465,000	4,920,000
Net earnings. ....	5,083,677	5,054,268
Working capital. ....	42,105,017	38,452,195
Per share:		
Earnings. ....	3.90	3.88
Dividends. ....	2.00	2.00
Stockholders' equity. ....	46.60	44.11
Number of stores. ....	1,289	1,408

(For more comprehensive comparisons see Fifteen-Year Financial  
Summary on page 8.)

## TO THE STOCKHOLDERS

There is presented herewith the Annual Report on the operations of the Company and its subsidiaries for the fiscal year ended March 28, 1953.

### *Sales, Earnings and Dividends*

Sales of \$542,035,133 reached a new record, representing an increase of \$20,723,707 or 4% over the preceding year, most of the increase being attributable to larger tonnage.

Net earnings were \$5,083,677 or \$3.90 a share compared with \$5,054,268 or \$3.88 a share in the preceding year. As explained in note 1 to the financial statements, net earnings for the current fiscal year reflect a net gain on sale and retirement of plant and equipment, equal to 19¢ a share, which would have been excluded from earnings

under the Company's former accounting policy. On the other hand, net earnings for the preceding fiscal year were benefited to the extent of 35¢ a share by an excess profits tax carry-back credit.

Federal and State taxes on income for the fiscal year amounted to \$5,465,000 or \$4.20 a share as compared with \$4,920,000 or \$3.78 a share in the preceding year, the latter amount reflecting the excess profits tax carry-back credit of \$460,000.

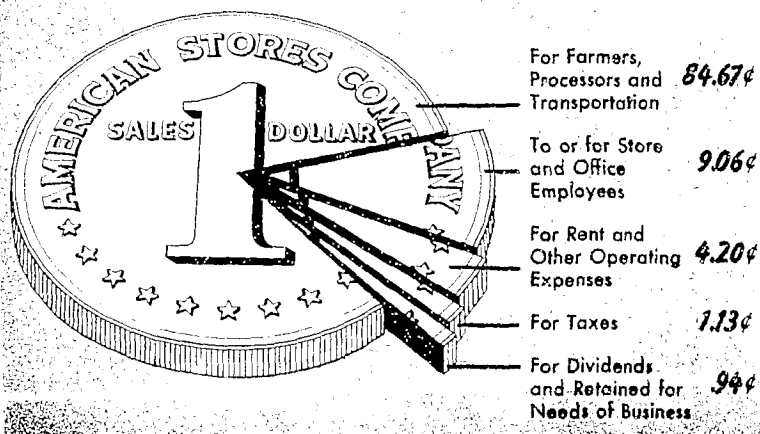
Quarterly dividends totaling \$2.00 a share were paid during the year, the same rate as in the preceding year.

### *Store Operations*

In keeping with the Company's established policy 162 of the small service stores and older type self-service stores were closed. During the year 43 new self-service super markets were opened and many others were renovated.

Every effort is being made to adapt the design and operation of the super markets to modern living and shopping habits of the public. These markets are well equipped, provide ample parking facilities and feature such shopping conveniences as prepackaged meats and produce, and the merchandising of health and beauty aids.

### DISTRIBUTION OF SALES DOLLAR



## SOURCE AND DISPOSITION OF WORKING CAPITAL

	52 weeks ended March 28, 1953	January 1, 1948 to March 28, 1953
<b>SOURCE:</b>		
Net earnings.....	\$ 5,083,677	\$31,145,316
Provision for depreciation and amortization....	4,070,942	16,011,185
Proceeds of long-term borrowing.....	—	10,000,000
Miscellaneous additions (deductions).....	(27,897)	58,774
	<u>9,126,722</u>	<u>57,215,275</u>
<b>DISPOSITION:</b>		
Expended for plant and equipment, less sales and retirements.....	3,144,148	39,180,128
Payments charged to provision for employees' retirement income benefits.....	42,512	1,553,517
Liquidation of purchase obligations.....	—	229,172
Increase (decrease) in prepaid expenses and deferred charges.....	(315,400)	1,191,267
Dividends declared.....	2,602,640	12,752,936
	<u>5,473,900</u>	<u>54,907,020</u>
Net increase.....	<u>\$ 3,652,822</u>	<u>\$ 2,308,255</u>

### **Plant and Equipment**

Expenditures for additions and improvements to plant and equipment, including retail outlets, totaled \$41,339,159 from January 1, 1948 to March 28, 1953, whereas the provision for depreciation and amortization during the same period amounted to \$16,011,185.

At prevailing high price levels the cost of replacing worn out and obsolete plant facilities and store fixtures runs far in excess of their original cost. Therefore, the provision for depreciation and amortization, which is based on original cost according to present tax laws, does not provide sufficient funds to take care of necessary replacements. The additional funds required for this purpose have come from retained earnings and long-term financing.

Operations of the new warehouse and bakery in Philadelphia were carried out

satisfactorily during the past year, resulting in improved service to stores in the area.

A building in Philadelphia, formerly used as a bakery, was sold in 1952, and the warehouse building replaced by the new facilities is being offered for sale.

### **Food Prices**

The termination of Government price controls has relieved the Company of some burdensome administrative detail and, more important, prices are now being determined by the natural forces of supply and demand. Generally, food supplies are plentiful at prices slightly below the levels of a year ago.

In view of the widespread interest in the price of food, attention is directed to the chart on the following page which indicates that, in terms of hourly earnings of production workers, retail food prices were relatively lower in 1952 than in 1935-39.

## Personnel

The loyalty, enthusiasm and ability of our men and women are among the Company's most important assets. Continued emphasis is being given to training programs so as to enable employees to perform their jobs better and prepare themselves for greater responsibilities.

Mr. Wm. H. Eden, who had been a vice president, retired in 1952 and was succeeded by Mr. Paul J. Cupp, who was elected a vice president on June 18, 1952. Mr. Cupp formerly managed the Company's operations in the northern New Jersey area. His background of experience eminently fits him

for his new responsibilities relating to purchasing, merchandising and advertising.

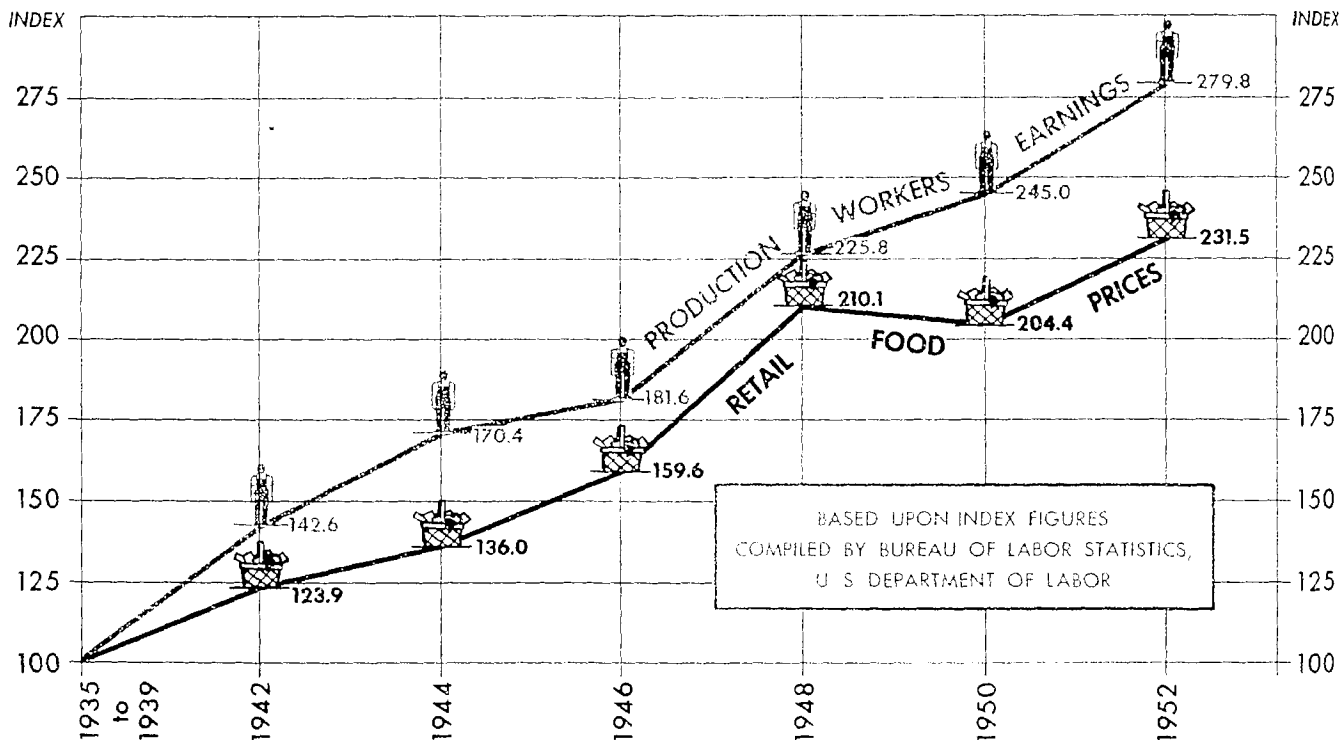
It is with a deep sense of loss that we record the passing of Mr. James M. Skinner, who had been a director since March, 1947. Mr. J. William Hardt, formerly executive vice president and chairman of the board of directors of The Philadelphia National Bank, was elected by our board of directors to fill the vacancy caused by the death of Mr. Skinner.

*William Park*

President

May 27, 1953

## WAGES HAVE RISEN MORE THAN FOOD PRICES



# American Stores Company and Subsidiaries

## STATEMENT OF CONSOLIDATED EARNINGS

*Fifty-two weeks ended March 28, 1953*

*(with comparative figures for preceding period)*

52 weeks ended

March 29, 1952

### CURRENT EARNINGS

#### Sales:

Retail stores.....	\$510,451,480
Other.....	10,859,946
	<u>521,311,426</u>

#### Cost of sales and operating expenses:

Cost of merchandise sold, including warehousing and transportation expenses.....	442,847,827
Wages, rents, advertising, administrative and other operating expenses.....	64,087,964
Depreciation and amortization.....	3,608,025
Net gain on sale and retirement of plant and equipment (note 1).....	—

Operating profit ..... 10,767,610

Interest on loans, less miscellaneous income..... 793,342

Earnings before taxes on income..... 9,974,268

#### Taxes on income, estimated:

Federal and State income taxes.....	5,302,000
Federal excess profits tax (1953 amount applies to a subsidiary; 1952 amount reflects refund of \$460,000 based on carry-back credit).....	(382,000)

Net earnings..... 4,920,000

Net earnings..... \$ 5,054,268

### EARNINGS RETAINED FOR USE IN THE BUSINESS

Balance at beginning of period..... \$ 36,949,681

Net gain on sale and retirement of plant and equipment in prior years (note 1)..... —

Net earnings for the period..... 5,054,268

Deduct dividends—\$2 per share..... 42,003,949

Balance at end of period..... 2,602,640

Balance at end of period..... \$ 39,401,309

See accompanying notes to financial statements.

# American Stores Co

## CONSOLIDATED

March 28, 1953

### ASSETS

	March 28, 1953	March 29, 1952
Current assets:		
Cash.....	\$ 15,522,248	\$ 11,329,136
Accounts receivable.....	2,942,803	2,592,562
Claim for refund of excess profits tax, estimated	—	460,000
Inventories, at lower of cost or market.....	48,616,788	51,059,089
Total current assets .....	67,081,839	65,440,787
Mortgages and miscellaneous investments.....	202,881	174,984
Plant and equipment:		
Land.....	2,521,735	2,450,353
Buildings.....	19,526,288	20,613,696
Machinery, equipment and fixtures.....	35,892,614	34,862,234
Leasehold improvements.....	4,106,639	3,495,651
Total plant and equipment, at cost.....	62,047,276	61,421,934
Less accumulated depreciation and amortiza- tion (note 1).....	19,877,489	19,086,364
	42,169,787	42,335,570
Goodwill.....	1	1
Prepaid expenses and deferred charges.....	1,717,089	2,032,489
	<u>\$111,171,597</u>	<u>\$109,983,831</u>

### ACCOUNTANTS' REPORT

THE BOARD OF DIRECTORS  
AMERICAN STORES COMPANY:

We have examined the consolidated balance sheet of American Stores Company and subsidiaries as of March 28, 1953 and the related statement of earnings for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings present fairly the financial position of American Stores Company and subsidiaries at March 28, 1953 and the results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period except for the change, which we approve, in the policy regarding sale and retirement of plant and equipment as described in note 1 to the financial statements.

PEAT, MARWICK, MITCHELL & Co.

Philadelphia, Pa.  
May 20, 1953



# ny and Subsidiaries

## ALANCE SHEET

parative figures for 1952)

### LIABILITIES AND STOCKHOLDERS' EQUITY

	March 28, 1953	March 29, 1952
Current liabilities:		
Notes payable to banks .....	\$ 1,800,000	\$ 5,500,000
Accounts payable .....	12,879,635	11,820,446
Accrued expenses .....	4,069,977	3,483,159
Federal and State taxes on income, estimated .....	6,227,210	6,184,987
Total current liabilities .....	24,976,822	26,988,592
Notes payable, due 1954-67 (note 2) .....	25,000,000	25,000,000
Provision for employees' retirement income benefits .....	542,863	585,375
Stockholders' equity:		
Common stock without par value. Authorized 1,500,000 shares; outstanding 1,301,320 shares (note 4) .....	18,008,555	18,008,555
Earnings retained for use in the business (note 2) .....	42,643,357	39,401,309
	60,651,912	57,409,864
	<u>\$111,171,597</u>	<u>\$109,983,831</u>

#### NOTES TO FINANCIAL STATEMENTS

1. SALES AND RETIREMENTS. In prior years it was the policy of the company to include gains and losses on the sale and retirement of plant and equipment in accumulated depreciation. Starting with the fiscal year ended March 28, 1953 the company adopted the policy of reflecting such gains and losses in current earnings; in addition, the net gain, \$761,011, accumulated up to March 29, 1952 on sale and retirement of plant and equipment has been transferred from accumulated depreciation to earnings retained for use in the business. Current earnings for the fiscal year ended March 28, 1953 include a net gain of \$234,449 on sale and retirement of plant and equipment, or \$226,848 after applicable taxes. In the fiscal year ended March 29, 1952 a similar net gain of \$200,412 was excluded from current earnings under the former accounting policy, but the taxes applicable thereto, \$52,107, were charged to current earnings of that year.

2. NOTES PAYABLE, DUE 1954-67. The notes are payable in annual installments of \$1,125,000 from 1954 to 1966 inclusive with a final maturity of \$10,375,000 on August 1, 1967. Interest on \$7,500,000 is at the rate of 2 7/8% per annum and on

the remaining \$17,500,000 at 3% per annum. The notes contain restrictions as to the payment of cash dividends on common stock and the reacquisition and retirement of shares of stock of the company. Of the earnings retained for use in the business at March 28, 1953, an amount of \$23,098,017 is free of the said restrictions.

3. LEASE COMMITMENTS. At March 28, 1953 the company and its subsidiaries had 603 leases expiring more than three years after that date. Such leases call for minimum annual rentals totaling \$4,422,000, of which about 72% relates to leases expiring within 10 years and the remainder relates to leases expiring in from 10 to 19 years.

4. STOCK OPTIONS. On June 18, 1952 the stockholders approved a stock option plan whereby options to purchase not exceeding 100,000 shares of common stock, exercisable on a cumulative basis over a period of ten years or less, may be granted to key personnel. Options were granted on August 20, 1952 to 45 officers and employees for 45,200 shares of common stock at \$37.77 a share, which is 95% of the market price on the date of granting. No portion of these options is exercisable until August 20, 1955.

# American Stores Company and Subsidiaries

## FIFTEEN-YEAR FINANCIAL SUMMARY

(All Dollar Amounts Are Expressed in Thousands, Except Per Share and Per Sales Dollar Figures)

	52 weeks ended				Year ended December 31											
	Mar. 28, 1953	Mar. 29, 1952	Mar. 31, 1951	Apr. 1, 1950*	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	
Sales	\$542,035	\$521,311	\$469,771	\$416,644	\$417,467	\$388,614	\$314,575	\$233,542	\$227,630	\$212,082	\$209,106	\$157,677	\$124,839	\$114,824	\$109,853	
Earnings before taxes on income	10,548	9,974	14,365	10,924	9,433	9,955	11,808	6,540	6,352	4,484	5,652	3,320	1,259	1,398	818	
Federal and State taxes on income	5,465	4,920	7,250	4,180	3,770	4,030	5,807	4,565	4,520	2,775	3,643	1,160	269	244	142	
Net earnings	5,083	5,054	7,115	6,744	5,663	5,925	6,001	1,975	1,832	1,709	2,009	2,160	990	1,154	676	
Dividends	2,603	2,603	2,603	2,212	2,277	2,277	1,562	1,301	1,301	1,301	1,301	1,301	976	651	—	
Earnings retained in business for year	2,480	2,451	4,512	4,532	3,386	3,648	4,439	674	531	408	708	859	14	503	676	
Net earnings per sales dollar	.94¢	.97¢	1.51¢	1.62¢	1.36¢	1.52¢	1.91¢	.85¢	.80¢	.81¢	.96¢	1.37¢	.79¢	1.00¢	.62¢	
Earnings per share	3.90	3.88	5.46	5.18	4.35	4.55	4.61	1.51	1.40	1.31	1.54	1.66	.76	.88	.51	
Dividends per share	2.00	2.00	2.00	1.70	1.75	1.75	1.20	1.00	1.00	1.00	1.00	1.00	.75	.50	—	
Stockholders' equity:																
Total	60,652	57,410	54,958	50,446	44,933	41,511	37,859	33,312	32,720	32,093	31,647	30,875	29,795	30,011	30,030	
Per share	46.60	44.11	42.23	38.76	34.52	31.89	29.09	25.59	25.14	24.66	24.31	23.72	22.89	23.06	23.07	
Current assets	67,082	65,441	70,676	56,865	55,396	56,107	47,784	32,172	30,922	30,168	28,149	27,147	20,552	20,553	19,561	
Current liabilities	24,977	26,989	23,885	17,471	16,516	16,310	21,809	10,348	9,769	10,604	10,273	10,421	4,177	3,257	1,809	
Working capital	42,105	38,452	46,791	39,394	38,880	39,797	25,975	21,824	21,153	19,564	17,876	16,726	16,375	17,296	17,752	
Current ratio	2.69	2.43	2.96	3.25	3.35	3.44	2.19	3.11	3.17	2.84	2.74	2.61	4.92	6.31	10.81	
Plant and equipment:																
Additions	3,608	13,847	10,597	5,789	6,036	6,795	4,165	2,013	966	704	1,220	2,418	2,110	1,982	1,152	
Depreciation and amortization provision	4,071	3,608	3,030	2,614	2,091	1,735	1,455	1,631	1,346	1,371	1,399	1,353	1,236	1,129	1,036	
Net investment	42,170	42,336	32,666	25,565	21,943	18,240	13,700	11,285	11,109	12,002	13,211	13,729	13,018	12,318	11,567	
Total assets	111,172	109,984	104,742	84,125	78,301	75,146	62,249	44,003	42,489	42,698	41,920	41,296	33,972	33,268	31,839	
Long-term debt	25,000	25,000	25,000	15,057	15,172	15,229	286	344	—	—	—	—	—	—	—	
Number of retail stores at year end:																
Self-service super markets	787	781	773	765	761	708	665	606	595	579	576	517	418	296	133	
Other stores	502	627	732	872	1,072	1,213	1,347	1,358	1,425	1,487	1,523	1,613	1,739	1,976	2,283	
Total stores	1,289	1,408	1,505	1,637	1,833	1,921	2,012	1,964	2,020	2,066	2,099	2,130	2,157	2,272	2,416	

\* The short period (from January 1 to April 2, 1949) of transition from a calendar year to a fiscal year is not included in the foregoing summary. Figures for such period amounted to \$1,400,211, or \$1.14 per share.

